

GHG Stakeholder Meeting

Topical Forum #1: Transitioning from 7.29 to RGGI

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Please note that the following presentation provides a number of policy options for discussion purposes only.



MassDEP

Major Transition Issues

- MA GHG Credits \neq RGGI CO₂ Allowances or Offsets
- Auctioning of CO₂ Allowances



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Background & Assumptions: RGGI

- RGGI establishes a cap-and-trade program for carbon dioxide emissions from large EGUs.
- Affected MA sources include 32 facilities with fossil-fuel-fired units that serve an electricity generator with nameplate capacity ≥ 25 MWe.
- RGGI is scheduled to begin January 1, 2009.
- MassDEP will follow the RGGI Model Rule as closely as possible.
- RGGI CO₂ Allowances will be auctioned.



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Background: 7.29 CO₂ Standards

- 310 CMR 7.29: Effective May 11, 2001
- Multi-Pollutant regulations that affect 6 highest emitting electric generating facilities in MA
- Annual Carbon Dioxide (CO₂) “cap” standard
 - Effective January 1, 2006
- Annual CO₂ “rate” standard of 1,800 pounds CO₂ per megawatt hour
 - Effective January 1, 2008
- 7.29 is not a cap-and-trade program; it imposes individual facility emissions standards



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Background: 7.29 CO₂ Standards

Compliance Options

- Out-of-stack emissions
 - or-
- MA GHG Credits
 - Created for projects that reduce, avoid, or sequester emissions of GHGs
 - Required for each ton of CO₂ emitted in excess of the facility's cap and/or rate standard
 - or-
- Payments into Expendable Trust
 - Available only if certain triggers are met

MA GHG Credits
≠
RGGI CO₂ Offsets or Allowances



MassDEP

MA GHG Credits \neq RGGI CO₂ Offsets or Allowances

USE

MA GHG Credits:

- Can be used to demonstrate compliance without limit
- Each facility's compliance obligation is defined as emissions in excess of the emissions standards

RGGI CO₂ Offsets and Allowances:

- For each compliance period RGGI requires facilities to retire CO₂ Allowances and/or CO₂ Offsets equal to their CO₂ emissions during the compliance period
- Use of CO₂ Offsets is constrained as a small percentage of a facility's total compliance obligation



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MA GHG Credits \neq RGGI CO₂ Offsets or Allowances

ELIGIBILITY

RGGI CO₂ Offsets

Eligible Projects

1. Landfill gas methane
2. SF₆
3. Afforestation
4. Natural gas, oil, or propane end use efficiency
5. Agricultural manure management
6. Natural gas transmission and distribution equipment (reserved)

MA GHG Credits

Eligible Projects: Any project that reduces, avoids, and/or sequesters GHG emissions in accordance with 310 CMR 7.00 Appendix B(7)

Ineligible Projects:

1. Nuclear power generation;
2. Under-water and under-ground sequestration;
3. Over-compliance with the cap and rate limitations of 7.29 by affected facilities



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Assumptions

- The transition from 310 CMR 7.29 to RGGI will be part of the RGGI regulations package
- Until RGGI commences, MassDEP will continue to implement the CO₂ emissions standards of 7.29 as well as the banking and trading provisions of Appendix B(7)
- Applicants for MA GHG Credits under Appendix B(7) should not presume that MassDEP will continue certifying and verifying applications for RGGI-ineligible projects



Transition Questions

- When should MassDEP stop certifying and verifying RGGI-ineligible MA GHG Credits?
- What should be done with unused RGGI-ineligible MA GHG Credits once RGGI begins?



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When should MassDEP stop certifying and verifying RGGI-ineligible GHG Credits?

Background:

Awarding of MA GHG Credits is a 2 step process.

1. The first step is certification. Applicants apply for MassDEP approval of a project and methods for calculating its emissions benefits. This can be done before a project commences, or after it has been completed.
2. After a certified project has reduced, avoided, or sequestered emissions, MA GHG Credits are created through verification.



When should MassDEP stop certifying and verifying RGGI-ineligible GHG Credits?

Certification Proposal: (who should be eligible for credits)

- ☀ Do not certify RGGI-ineligible projects after RGGI regulations are promulgated (planned January 2008)

Verification Options: (timeframe for receiving credits)

- ☀ Only verify RGGI-ineligible projects during a transitional period
 1. Until RGGI commences (i.e., 2009)
 2. Until some later time (e.g., 2012)

What should MassDEP do with unused RGGI-ineligible MA GHG Credits under RGGI?

Assumption: Some RGGI-ineligible MA GHG Credits may be unused when RGGI begins.



Options: Allow these MA GHG Credits to be converted to RGGI CO₂ Allowances. This would require MassDEP to set aside a small fraction of MA RGGI CO₂ Allowances

1. Allow MA GHG Credits to be exchanged for RGGI CO₂ Allowances.
2. Allow owners of MA GHG Credits to purchase RGGI CO₂ Allowances at a discounted rate. (preferred)



From where should the CO₂ Allowances come?

Potential CO₂ Allowance Sources

1. A small one-time set-aside of RGGI CO₂ Allowances from MA budget in year 1 that can be exchanged until this set-aside is used up
2. Annually set aside a small number of RGGI CO₂ Allowances from the MA budget for a yet to be determined number of years



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How should MassDEP exchange RGGI-ineligible MA GHG Credits for CO₂ Allowances?

What ratio should be used to convert GHG Credits to CO₂ Allowances ?



1. 1 MA GHG Credit to 1 RGGI CO₂ Allowance until transfer deadline or Set-aside has been used up
2. Require MA GHG Credits at greater than 1:1 ratio for conversion to RGGI CO₂ Allowances (e.g., 4 MA GHG Credits to 1 RGGI CO₂ Allowance)
3. Escalating exchange ratio, e.g.,

Phase I	2/1/09 – 12/31/2009	2 MA GHG Credits = 1 RGGI CO ₂ Allowance
Phase II	1/1/2010 – 12/31/2012	4 MA GHG Credits = 1 RGGI CO ₂ Allowance
Phase III	1/1/2013 and thereafter	1 MA GHG Credits = 0 RGGI CO ₂ Allowance



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Timeline

Date	Event	Time	Location
March 12, 2007	Stakeholder Meeting #2: Auctions	9:30 AM - 12:30 PM	MassDEP Boston Office
April 5, 2007	Stakeholder Meeting #3: Review of Draft RGGI Rule	1:00 PM - 4:00 PM	MassDEP Boston Office
April 10, 2007	Stakeholder Meeting #4: Review of Draft RGGI Rule (Repeat of 4/5/07)	10:00 AM - 1:00 PM	MassDEP Worcester Office
Summer/Fall 2007	MassDEP Proposes Rule to Implement RGGI		
Early 2008	MassDEP Finalizes Rule to Implement RGGI		

Due to this ambitious schedule, MassDEP requests that stakeholders submit comments within one week of the relevant stakeholder meeting.



Resources & Contacts:

- For more information regarding RGGI see: <http://rggi.org>
 - For the final RGGI model rule see:
http://rggi.org/docs/model_rule_corrected_1_5_07.pdf
 - Questions should be directed to Bill Lamkin
 - Comments and requests to be added to, or removed from, the GHG Stakeholder email list should be directed to Nicholas Bianco
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